IN THE

Supreme Court of The United States

OCTOBER TERM, A. D. 1942.

No. .....

THE MERCOID CORPORATION,
Petitioner,

vs.

MID-CONTINENT INVESTMENT COMPANY and MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,
Respondents.

PETITION FOR WRIT OF CERTIORARI
and
BRIEF IN SUPPORT THEREOF.

LANGDON MOORE,
GEORGE L. WILKINSON,
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MC CORMICK AND HENDERSON, INC., CHICAGO

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Respondents.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable, the Chief Justice and Associated Justices of the Supreme Court of the United States:

Your petitioner, The Mercoid Corporation, prays that a writ of certiorari issue to review the judgment of the United States Circuit Court of Appeals for the Seventh Circuit entered December 23, 1942 (R. 909), reported in 133 Fed. (2d) 803 (Petition for rehearing denied March 27, 1943),

A certified transcript of the record in this case, including the proceedings in said Circuit Court of Appeals, is furnished herewith, in accordance with Rule 38 of the rules of this Court.

SUMMARY STATEMENT OF MATTERS INVOLVED.

This is a suit brought originally by the respondent Mid-Continent Investment Company for contributory infringement of respondent's Cross patent No. 1,758,146, issued May 13, 1930, for a domestic heating system. The complaint was filed September 10, 1940 (R. 2). In its answer, petitioner denied validity and contributory infringement and in a counterclaim for a declaratory judgment charged respondent Mid-Continent Investment Company with improper use of its patent and violation of the Anti-Trust Laws (R. 12). On February 1, 1941, upon motion by petitioner, respondent Minneapolis-Honeywell Regulator Company, exclusive licensee under the said Cross patent No. 1,758,146, was made a party plaintiff with Mid-Continent Investment Company. On April 3, 1941, petitioner amended its answer and its counterclaim to include Minneapolis-Honeywell Regulator Company as a party plaintiff and in its counterclaim for a declaratory judgment charged respondents, Mid-Continent Investment Company and Minneapolis-Honeywell Regulator Company, with conspiring to establish a monopoly in a device not covered by the patent in suit in restraint of trade and in violation of the Anti-Trust Laws (R. 44).

On January 6, 1942, the District Court entered Findings of Fact and Conclusions of Law, finding petitioner did not contribute to the infringement of the said Cross patent; that respondents had in collusion combined with each other in the sale of combustion stoker switches not covered by the said Cross patent (R. 736), and in its Conclusions of Law, stated that respondent Mid-Continent Investment Company's method of doing business falls within the condemnation of *Carbice Corporation* v. *American Patents Development Corporation*, 283 U. S. 27, and *Leitch Mfg. Co.* v. *Barber Company*, 302 U. S. 458; the

atent is being utilized to gain a monopoly beyond its le-itimate scope; respondent Mid-Continent Investment Com-any is not in a position to maintain this suit, *American ecithin* v. *Warfield*, 105 F. (2d) 207 (C. C. A. 7); the xclusive licensee, respondent Minneapolis-Honeywell Reg-lator Company, conspired with Mid-Continent Investment ompany to establish a monopoly in an unpatented appli-nce beyond the scope of the patent in suit in violation f the Anti-Trust Laws; respondents' combination consti-ites a restraint of trade, an attempt to monopolize, and onopolization under Title 15, Sections 1 and 2, U. S. C. ., and that the petitioner is entitled to injunctive relief nder Title 15, Section 4, U. S. C. A. (R. 742).

Thereafter, on January 26, 1942, a decree was entered ismissing the complaint and granting a perpetual in-nction against respondents but dismissing the counter-laim insofar as it related to the collection of damages R. 744).

An appeal and cross-appeal were duly taken by the re-pondents and the petitioner to the United States Circuit ourt of Appeals for the Seventh Circuit and on Decem-er 23, 1942, said Court of Appeals affirmed the judg-ent of the District Court in disallowing damages under he cross-complaint and in all other respects said Court eversed the District Court's rulings.

JURISDICTION.

1. This is a suit arising under the Patent Laws of the nited States, Judicial Code, Sec. 24 (7) (28 U. S. C. ec. 41 (7)), and under the Declaratory Judgment Act, udicial Code, Sec. 274 d, amended, Title 28 Judicial Code, ec. 400.

2. The jurisdiction of this Court is invoked under Sec-ion 240(a) of the Judicial Code, as amended by the Act

of February 13, 1925 (28 U. S. C., Sec. 347), and under the Anti-Trust Laws, Title 15, U. S. Code, Sec. 4.

QUESTIONS PRESENTED.

The decision of the Circuit Court of Appeals for the Seventh Circuit presents the following questions:

(1) Is a defendant a contributory infringer of a patent when it supplies an unpatented part designed for use, and knowing that it is to be used, in practicing the patented invention, but not a contributory infringer when the unpatented part so supplied is a mere article of commerce?

(2) Does a patentee so use its patent as to be deprived of legal relief when the licenses it grants are conditioned upon the licensee purchasing from it an unpatented part for use in practicing the patented invention?

(3) Does a patentee operate in restraint of trade and in violation of the Anti-Trust Laws when it requires as a condition to the use of a patented invention that an unpatented part thereof be purchased from the patentee or its licensee?

(4) Should a Court, as the protector of public interests, consider the validity of a patent and hold it invalid for merely involving mechanical skill over the prior art, when the defendant is estopped, even by *res adjudicata*, to attack its validity?

REASONS FOR GRANTING THE WRIT.

The discretionary powers of this Court to grant a writ of certiorari are invoked under and suggested by Rule 38 of this Court:

(1) *Conflict with decisions of other Circuit Courts of Appeal.* The Circuit Court of Appeals for the Seventh

ircuit in this case has held that one is a contributory fringer of a patent who furnishes an unpatented part pecially designed for, and knowing it is to be used , practicing the patented invention, while the Circuit ourt of Appeals for the First Circuit in *B. B. Chemical o.* v. *Ellis*, 117 F. (2d) 829, and the Circuit Court of ppeals for the Second Circuit in *The Philad Co.* v. *Lechr Laboratories*, 107 F. (2d) 747, have held that there no contributory infringement when the supplied part unpatented, whether or not it be an old commodity or pecially designed for use in practicing the patented inention.

(2) *The Court of Appeals in the case at bar has decided Federal question in a way probably in conflict with applible decisions of this Court.* The Court of Appeals has ld that this Court in *Carbice Corp.* v. *American Patents*, 3 U. S. 27; *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458 d *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, d not decide that a patentee is not entitled to relief when requires as a condition to the use of the patented inven- on that an unpatented part used in practicing the inven- on must be purchased from it. The Circuit Court of Apals for the First Circuit in *B. B. Chemical Co.* v. *Ellis*, 7 F. (2d) 829, the Circuit Court of Appeals for the Second ircuit in *The Philad Co.* v. *Lechler Laboratories*, 107 F. 2d) 747, and the Circuit Court of Appeals for the Third ircuit in *Barber Asphalt Co.* v. *La Fera Grecco*, 116 F. 2d) 211, have all held that the said decisions of this Court e to the contrary.

(3) *The Circuit Court of Appeals in the instant case as decided an important question of Federal law which as not been, but should be, settled by this Court.* It held at there is no such restraint of trade as violates the nti-Trust laws when the owner of a patent forbids the urchase from competitors of an unpatented part neces-

sary for the practice of the patented invention. The decision of the Circuit Court of Appeals for the Third Circuit in *RCA* v. *Lord*, 28 F. (2d) 257, decided to the contrary, and this Court in *Morton Salt Co.* v. *Suppiger*, 314 U. S. 488, has suggested but not decided this question.

(4) *Question of public importance.* Is the Cross patent invalid as lacking invention? Thousands of present users of automatically controlled heating systems will be subject to injunctions if the Cross patent is valid, and thousands of future users of such systems will be subject to an increased installation expense, as elements thereof will be obtainable only at the price fixed by the owner of the Cross patent or its licensee.

Wherefore, it is respectfully submitted that this petition for writ of certiorari to the Circuit Court of Appeals for the Seventh Circuit should be granted.

LANGDON MOORE,

GEORGE L. WILKINSON,
Counsel for Petitioner.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

Opinions of the Courts Below.

The Findings of Fact and Conclusions of Law of the District Court for the Northern District of Illinois, Eastern Division, were filed January 6, 1942 (R. 736), and the decree entered pursuant thereto (R. 744) on January 26, 1942.

The opinion of the Circuit Court of Appeals for the Seventh Circuit was filed December 23, 1942. It is reported in 133 F. (2d) 803.

Specification of Errors.

The errors which petitioner will urge if the writ of certiorari is issued are that the Circuit Court of Appeals for the Seventh Circuit erred:

1. In holding the sale of an unpatented appliance not covered by a system patent for use in performing the system contributes to the infringement of the system patent.

2. In construing the decisions of this Court in *Carbice Corp. v. American Patents Development Corp.*, 283 U. S. 27, and *Leitch Mfg. Co.* v. *Barber Company*, 302 U. S. 458, differently from the construction which has been placed upon these decisions by the First, Second and Third Circuit Courts of Appeal.

3. In holding that the owner of a system patent and its exclusive licensee, neither of whom make, use, sell nor install the systems, but obtain their entire revenue under the patent from the sale of an unpatented appliance, manufactured by the exclusive licensee, to be used in carrying out the system, and said licensee requires the purchase of such unpatented appliances from it as a condition to obtain-

ing a license to use the patent, are making a proper use of the patent and are not attempting to monopolize an article beyond the bounds of the patent and such acts are not a violation of the Anti-Trust Laws.

4. In holding that it was not concerned with the validity of the patent in suit as it was convinced that the protection of the public interest is not warranted here.

SUMMARY OF ARGUMENT.

(1) The Circuit Court of Appeals for the Seventh Circuit in holding contributory infringement, did not follow this Court's recent decisions in *Carbice Corp.* v. *Am. Patents Corp.*, 283 U. S. 27, and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, but relied upon a misapprehension of this Court's earlier decision in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325.

(2) The Circuit Court of Appeals in holding that the respondents' method of doing business does not preclude the relief sought, is in conflict with the decisions of this Court in *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27, *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, and *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, and in conflict with the judgments of the Circuit Courts of Appeal for the Second, Third, Fourth and Seventh Circuits in *The Philad Co.* v. *Lechler Laboratories*, 107 F. (2d) 747, *Barber Asphalt Co.* v. *La Fera Grecco*, 116 Fed. (2d) 211, *Sylvania Ind. Corp.* v. *Visking*, 132 F. (2d) 947, and *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207.

(3) The Circuit Court of Appeals in holding that the acts of the respondents in prohibiting the purchase from competitors of an unpatented part do not tend to create a monopoly in violation of the Anti-Trust laws, is in conflict with the judgment of the Circuit Court of Appeals

for the Third Circuit in *RCA* v. *Lord*, 28 F. (2d) 257, and with the intimation contained in the opinion of this Court in *Morton Salt Co.* v. *Suppiger*, 314 U. S. 488.

(4) The protection of public interests demands that the patent in suit be declared invalid as covering nothing more than mechanical skill applied to prior art available to the public.

ARGUMENT.

First Question.

(Contributory Infringement.)

The Circuit Court of Appeals for the Seventh Circuit held that the unpatented combustion stoker switch supplied by petitioner, Mercoid, was especially adapted for use in practicing the patented system, and that petitioner therefore was a contributory infringer, whereas the First and Second Circuit Courts of Appeal held that one who supplied an unpatented part was not a contributory infringer, irrespective of whether it was an ordinary commodity or especially designed and intended for use in practicing the patented invention. The Circuit Court of Appeals in holding contributory infringement, did not follow this Court's recent decisions in *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27, and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, but relied upon a misapprehension of this Court's earlier decision in *Leeds & Catlin* v. *Victor Talking Machine Co.*, 213 U. S. 325.

In the *Carbice* case, this Court stated:

> "In the case at bar the plaintiffs neither sell nor license others to sell complete transportation packages. They supply merely one of the several materials entering into the combination; and on that commodity they have not been granted a monopoly. Their attempt to secure one cannot be sanctioned." (283 U. S. 34, 35.)

and in the *Leitch* case, this Court, regarding the *Carbice* case, stated:

> "* * * By the rule there declared *every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited.** It applies whether the patent be for a machine, a product, or a process. *It applies whatever the nature of the device* by which the owner of the patent seeks to effect such unauthorized extension of the monopoly. Nothing in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325, limits it." (302 U. S. 463.)

The Circuit Court of Appeals in the case at bar in its opinion stated in reference to the accused device:

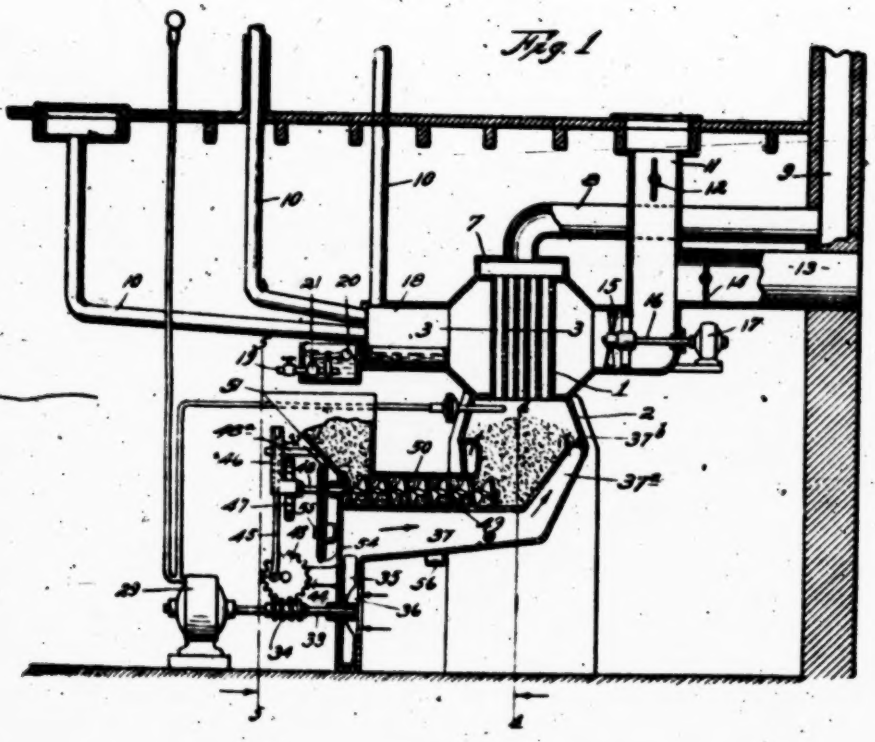
> "*If such control cannot be used for any other purpose, that fact would not give Mercoid any right to infringe the Cross combination* either directly or *by contribution.*" (R. 922.)

This statement is in direct contravention to the judgment of the Circuit Court of Appeals for the First Circuit in *B. B. Chemical Co.* v. *Ellis et al.*, 117 F. (2d) 829, 834, wherein the Court stated:

> "The plaintiff seeks to prevent the application of this rule to this case by limiting the doctrine to those situations in which the alleged contributory infringer supplies staple articles of commerce. *It insists that where the articles supplied are specially manufactured for use in this particular process, relief is not to be denied the patentee no matter what his course of business.* It points to dry ice, bituminous emulsion, and lecithin as such staple articles. * * * We do not consider that to have been intended as a limitation upon the doctrine of the *Leitch* and *Carbice* cases. The language of those cases is extremely comprehensive and *is by no means restricted to staple articles.*

* Emphasis ours unless otherwise indicated.

Fig. 1



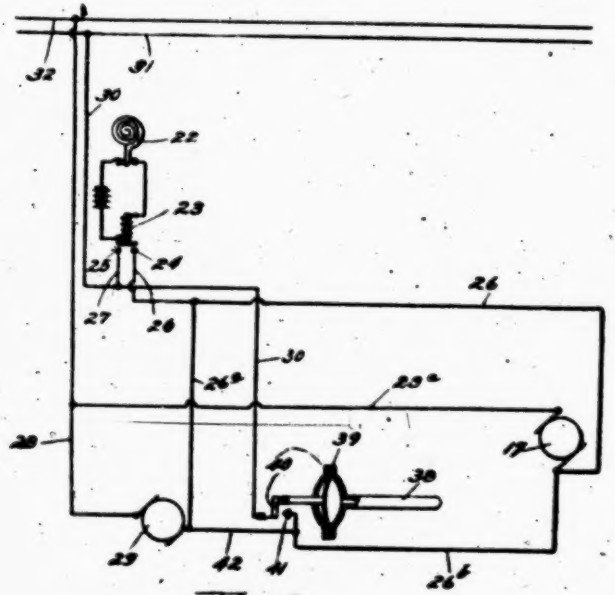


Fig. 2

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> • • • *There is every indication that* the *Carbice* and *Leitch* cases *apply to specially designed non-patented articles.* (Citing authorities.) We agree with the opinion of the Second Circuit in *Philad Co.* v. *Lechler Laboratories, supra,* that *the emphasis is on the fact that the articles sold by the alleged contributory infringers were not covered by the plaintiff's patent* although it conducted its business as though they were."

and in contravention to the judgment of the Circuit Court of Appeals for the Second Circuit in *Philad Co.* v. *Lechler Laboratories, Inc.*, 107 F. (2d) 747, 748, wherein the Court stated:

> "It is urged that the rule of the *Carbice* case covers only an effort of a patentee to control the use of staple materials, carbon dioxide in the *Carbice* case, bituminous emulsion in the *Leitch* case, and that the hair waving devices in the present case are not staples. There is no support for any such limitation on the rule. *In both the Carbice case and the Leitch case the emphasis was on the fact that the articles handled by the alleged contributory infringers were not covered by the patent.* • • •"

For convenient reference, sheets 1 and 2 of the patent in suit are here reproduced.

Figures 1 and 2 illustrate and the specification describes a warm air furnace, an electrically driven coal stoker, a room thermostat 22 in the electric circuit between the stoker motor 29 and the source 31 and 32, and a *separate thermostat* 38 responsive to temperature within the furnace connected in circuit between the source 31 and 32 and the stoker motor 29, whereby the normal operation of the coal stoker is controlled by the room thermostat and whereby, when the room thermostat is open, the cir-

cuit to the stoker motor will be closed by the separate thermostat 38 when the temperature within the furnace indicates the fire is about to go out.

Claim 1 is typical of the five claims of the Cross patent and divided into its elements reads as follows:

> "1. A heating system comprising
> a combustion pot,
> means for feeding fuel thereto,
> a combustion space above the combustion pot,
> means controlled by the temperature of the rooms to be heated for automatically regulating the fuel feeding means, and
> a separate thermostatic control actuated by predetermined minimum temperatures in said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions" (R. 785).

It has been admitted in the record that:

1. Warm air furnaces were old in the art (R. 150).

2. Motor operated coal stokers were old in the art (R. 150).

3. Means controlled by the temperature of the rooms to be heated, or room thermostat, for turning off and on the coal stoker were old in the art (R. 150).

4. The separate thermostatic control in the combustion space, or combustion stoker switch, was not the invention of Cross, and therefore, was old in the art (R. 112).

The District Court found the combustion stoker switch illustrated in the Cross patent is of the same appearance, construction and operation as the Mercoid Figure 37 temperature responsive limit switch on the market prior to 1925, and the Mercoid Figure 50 temperature responsive limit switch made under the same patent was placed on the market at the same time (R. 737).

The advance in the art of domestic heating disclosed and claimed in the Cross patent is the complete Cross system (R. 112) comprising the elements shown in the wiring diagram of Figure 2 of the patent which illustrates the particular arrangement of the stoker motor, the room thermostat and the separate thermostatic combustion stoker switch in the electric circuit to prevent the extinguishment of the fire.

In its opinion, the Circuit Court of Appeals stated:

> "A patent owner, in the legitimate exercise of his rights, may restrain contributory infringement of his patent by the sale of the 'advance of the art,' if such sale is made with the knowledge and intention that the subject matter thus sold is to be used for the purpose of contributing to the infringement of the patent. *Leeds & Catlin* v. *Victor*, 213 U. S. 325; *Wallace* v. *Holmes*, 29 Fed. Cases, No. 17,100; 9 Blatchf. 65." (R. 920.)

The patent sought to be enforced is for a system of domestic heating. Does it give the patentee a monopoly of any of the old parts by which the system is operated, under this Court's decision in *Leeds & Catlin* v. *Victor Talking Machine Company*, 213 U. S. 325?

This Court in the *Lincoln Engineering* case, 303 U. S. 545, 552, referring to its decision in the said *Leeds & Catlin* case, stated:

> "*Berliner disclosed an entirely novel principle; he utilized the flat disc* having a smooth bottomed groove with spiral waves in its sides *not only to agitate the needle* connected to the diaphragm, *but*, in combination with a swinging arm, *to propel the needle lengthwise the groove*. In his combination, the disc not only performed a new function but performed it in combination with another new element,—the swinging arm which carried the needle."

The witness Cross, son of the patentee, in testifying for the respondent Mid-Continent Investment Company, admitted that the "*separate thermostatic control*" of the claims, or holdfire switch, *was not the invention of the patentee* (R. 112) and further stated:

> "The *thermostat*, the *stoker* and the *stoker switch*, all three components *are necessary* to meet the requirements of the claims of the patent, as I understand it" (R. 112).

Therefore, the sale by the petitioner of a "*separate thermostatic control*," which the District Court found was identical in function and operation and use as the switch the petitioner had placed on the market before 1925 (R. 737), *was not a sale of the "advance in the art" of the patent in suit* and does not contribute to the infringement of the patent in suit in accordance with this Court's interpretation of the doctrine of contributory infringement stated in *Leeds & Catlin* v. *Victor Talking Machine Co.*, as expressed in this Court's decision in *Bassick Manufacturing Company* v. *Hollingshead Company*, 298 U. S. 415, and in *Lincoln Engineering Company* v. *Stewart-Warner Corporation*, 303 U. S. 545.

It is submitted that the Circuit Court of Appeals, in holding petitioner contributed to the infringement of respondent's patent under the authority of this Court's decision in *Leeds & Catlin* v. *Victor Talking Machine Co.*, is in direct conflict with this Court's interpretation in the *Carbice* and *Leitch* cases, as well as in the *Bassick* and *Lincoln Engineering* cases, and with the decisions of the First Circuit Court of Appeals in *B. B. Chemical Co.* v. *Ellis*, 117 F. (2d) 829, 834, and the Second Circuit Court of Appeals in *Philad* v. *Lechler*, 107 F. (2d) 747.

Second Question.

(Improper Use of the Patent Precludes Maintenance of Suit.)

Neither respondent Mid-Continent Investment Company, the owner of the patent in suit, nor respondent Minneapolis-Honeywell Regulator Company, the exclusive licensee, made, sold or installed heating systems. Mid-Continent Investment Company did not make or sell any of the parts of the heating system but Minneapolis-Honeywell Regulator Company did make and sell the "separate thermostatic control" or combustion stoker switch for preventing the extinguishment of the fire.

Nor does the petitioner make, sell or install heating systems, but has made and sold numerous thermostatic switches long before the filing of the patent in suit, one of which is adapted to be used in the patented heating system as the "separate thermostatic control", or combustion stoker switch, to prevent the extinguishment of the fire. The respondents are monopolizing under the heating system patent a combustion stoker switch.

The District Court found that:

> "14. Plaintiff Mid-Continent Investment Company did not practice the invention but received its revenue from the sale of combustion stoker switches made and sold by its exclusive licensee and sub-licensee both of which conveyed with the sale of each combustion stoker switch a license to use the domestic heating system covered by the Cross patent No. 1,758,146" (R. 739).

and in its Conclusions of Law that:

> "7. Plaintiff Mid-Continent Investment Company is not in a position to maintain this suit. *American Lecithin* v. *Warfield*, 105 F. (2d) 207 (C. C. A. 7)." (R. 743.)

As to these findings of the District Court, the Circuit Court of Appeals in its opinion stated:

> "The only issue between Mercoid and Honeywell is whether the latter by itself, or in combination with others, attempted to use the Cross patent and monopolize an article beyond the bounds of the patent, and thereby violate the anti-trust laws. From what we have said we are convinced that Honeywell, under this evidence, is not guilty of that charge." (R. 922.)

thereby putting its stamp of approval upon a method of doing business permitting the patent owner to derive its profit not from the invention on which the law gives it a monopoly, but from the unpatented appliances used with it and wholly outside of the scope of the patent monopoly.

In supporting this holding, the Circuit Court of Appeals stated:

> "In suport of Mercoid's contention to the contrary, it relies upon *Carbice Corporation* v. *American Patents Corp.*, 283 U. S. 27; *Leitch Mfg. Co.* v. *Barber Company*, 302 U. S. 458; *Morton Salt Company* v. *Suppiger Co.*, 314 U. S. 488; *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, and other kindred cases. The facts in those cases are readily distinguishable from those here. They are consistent with the ruling in the case of *Leeds & Catlin* v. *Victor*, *supra*, and are so held by the Supreme Court in the *Carbice* and *Leitch* cases, *supra*." (R. 922.)

The above holding of the Circuit Court of Appeals is in direct conflict with the judgment of the Circuit Court of Appeals for the Second Circuit in *The Philad Co.* v. *Lechler Laboratories, Inc.*, 107 F. (2d) 747, 748, 749.

The Circuit Court of Appeals for the Second Circuit in affirming the District Court stated:

> "The Philad Company, owner of a patent on a process for imparting a permanent wave to the hair, patent to Mayer, reissue 18,841, brought suits for infringe-

ment against four concerns. * * * The defendants conceded that the appliances sold by them (clamps, curling rods, pads and heaters) were of shapes and sizes that fitted them for use in operating the patented process and were sold with knowledge that customers would use them in waving hair by that process. *The trial judge* dismissed the complaints without passing on the validity of the patent. He *held that the Philad Company was attempting to use the process patent to control unpatented materials and was consequently not entitled to relief.*

"The Philad Company does not use the patented process, nor does it collect royalties from hair dressers for use of the process. What it does do is to issue licenses to some sixteen concerns which manufacture hair waving equipment, with authority to sublicense the process to purchasers of equipment. * * * The manufacturing concerns sell the equipment to hair dressers, in effect sublicensing them to use the patented process with the equipment. *The defendants* are competitors of the licensed manufacturers in the sale of hair dressing apparatus. As already stated, their *apparatus is suitable for use in carrying on the patented process and is in fact so used, to the knowledge of the defendants. The apparatus, however, is not within the patent sued on.* * * *

"The patent sought to be enforced is on a process of waving hair. It does not give the plaintiff a monopoly in the appliances by which the process is operated. *Yet the plaintiff's course of conduct shows plainly that the sole use made of the patent is to suppress competition in the appliances. It is not entitled to relief against those who sell such appliances without its leave.* * * *

"In both the *Carbice* case and the *Leitch* case the emphasis was on the fact that the articles handled by the alleged contributory infringers were not covered by the patent, and on the further fact that the patentee by his method of doing business was using his patent as if it did cover such articles. * * * for present purposes the appliances are to be taken as unpatented."

The said holding of the Circuit Court of Appeals in the case at bar is also in direct conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Barber Asphalt Corporation et al.* v. *La Fera Grecco Contracting Co. et al.*, 116 F. (2d) 211, 215, 216, wherein the Court stated:

> "The principle enunciated by the Supreme Court in *Carbice Corp.* v. *American Patents Corp.*, *supra*, is exceedingly explicit. It holds that the owner of a patent for process may not secure a partial monopoly on the unpatented material employed in it. This is precisely the effect of the agreements and licensing plans of the plaintiffs. Accordingly the court below erred in holding that the course pursued by the plaintiffs did not create an unlawful monopoly in the sale of unpatented staple materials, viz., bituminous emulsions."

Furthermore, the Circuit Court of Appeals, speaking through Judge Sparks, in the case at bar in reversing the District Court's ruling that "Plaintiff Mid-Continent Investment Company is not in a position to maintain this suit. *American Lecithin* v. *Warfield*, 105 F. (2d) 207 (C. C. A. 7)," is in direct conflict with its own judgment in the *American Lecithin* case wherein, speaking through Judge Kerner, it held:

> "Thus, in the instant case, *it is obvious that the sole protection sought by the patentee was of a limited monopoly for its unpatented lecithin. It did not try to obtain any income from the monopoly expressly granted by the patent itself*, either by practicing the patented method or by granting licenses for a royalty. For this reason, a different light is shed upon the rights of the patentee, *and for this reason relief is denied the patentee.* * * *. The plaintiff's method of doing business had only one purpose, the doing by indirection what was prohibited directly, *i.e.*, the securing of a monopoly in the sale of lecithin, a com-

modify not coming within the boundaries of the patent owned by the plaintiff. This action the courts will not sanction.

"We conclude, therefore, that the plaintiff's attempt to extend its patent monopoly beyond the boundaries described in the claims of the patent is condemned under the law. For this reason relief to the plaintiff is denied, and the decree of the district court is affirmed."

Furthermore, the said holding of the Circuit Court of Appeals in the case at bar is also in direct conflict with a later judgment of the Circuit Court of Appeals for the Fourth Circuit in *Sylvania Industrial Corporation* v. *The Visking Corporation*, 132 F. (2d) 947, wherein the Court stated:

"*The court found from these facts that the plaintiff was making use of patents owned by it, including the patents in suit, for the purpose of securing a limited monopoly of an unpatented material*, that is, plain, unprinted, regenerated cellulose sausage casings, *and concluded, therefore, that the plaintiff was not entitled to relief in this suit* even though, as the court held, the patents in suit were valid and infringed by the defendant. This legal conclusion is in accordance with the doctrine that the use of the patent monopoly to restrain competition in unpatented material is contrary to the public policy expressed in the Constitution and laws of the United States to promote the progress of science and useful arts by securing to inventors the exclusive right to their inventions for limited times. In *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, 491, 492, the court said:

"'* * * It is a principle of general application that courts, and especially *courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest.*'"

Furthermore, this Court in its decision in *B. B. Chemical Company* v. *Ellis et al.*, 314 U. S. 495, 497, in affirming the Circuit Court of Appeals, stated:

> "The Courts below held that petitioner's sale to manufacturers of the unpatented materials for use by the patented method operated as a license to use the patent with that material alone and thus restrained competition with petitioner in the sale of the unpatented material, as in *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27, and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458."

This Court's decision in *Morton Salt Company* v. *The G. S. Suppiger Company*, 314 U. S. 488, 491, stated:

> "It is the established rule that a patentee who has granted a license on condition that the patented invention be used by the licensee only with unpatented materials furnished by the licensor, may not restrain as a contributory infringer one who sells to the licensee like materials for like use. (Citing authorities)"

It is submitted that the Circuit Court of Appeals erred in its opinion in holding respondents were not attempting to use the patent in suit to monopolize an article beyond the bounds of the patent in view of this Court's decision in the *Carbice* case and later decisions cited herein, and in doing so held directly contrary to the judgments of the Second, Third, Fourth and Seventh Circuit Courts of Appeal.

Third Question.

(Violation of the Anti-Trust Laws.)

The Court of Appeals in the instant case held that respondents had not operated in restraint of trade nor in violation of the Anti-Trust laws when they required as a condition to the use of the Cross patented system that an unpatented part thereof, namely, the combustion stoker switch, be purchased from the respondent Minneapolis-Honeywell, or its sublicensee.

Respondent Mid-Continent Investment Company owns the system patent in suit. It granted an exclusive license to respondent Minneapolis-Honeywell Regulator Company to make, use and sell and sub-license others to make, use and sell *the invention disclosed in said patent* upon the payment of a royalty upon *each combustion stoker switch sold by respondent* Minneapolis-Honeywell Regulator Company *and its sub-licensees* (R. 450, 458).

Neither respondent made nor sold heating systems. Respondent Mid-Continent Investment Company did not make or sell any of the parts of the heating system, but respondent Minneapolis-Honeywell Regulator Company did make and sell one part of the heating system, *i.e.*, combustion stoker switches, with a notice that the purchase of the switch conveyed with it a license to use it in the patented heating system (R. 594). Respondent Minneapolis-Honeywell Regulator Company granted a sub-license to the Detroit Lubricator Company under the heating system patent *to make and have made for it and to use and sell combustion stoker switches* upon a royalty paid upon each combustion stoker switch sold by it (R. 719).

Respondent Minneapolis-Honeywell Regulator Company has never granted any other license to use the patented heating system except to those who purchase the combustion stoker switches from it. After it obtained its exclu-

sive license it promptly mailed a notice to the leading manufacturers of coal stokers announcing that it had obtained an exclusive license under the patent in suit and stating:

> "*These patents do not cover individual controls as such*, but rather, the system or method of preventing the extinguishment of the fire when operating under low heat requirements by means of a system of control which is responsive to either the temperature of the combustion gases or the temperature of the water in the boiler.
>
> "*Because these patents cover a system* involving the controls and the stoker *and not the controls alone*, we have worked out a special plan *whereby a license under these patents can be granted by us to the purchaser*. Each of the special stoker controls, namely the 'Stokerswitch' and 'Holdfire Control,' will carry on its nameplate the following legend:
>
> "'This Stokerswitch and or Holdfire Control carries with it a license to use the system of preventing extinguishment of the fire when operating under low heat requirement conditions as covered by patent No. 1,758,146 and or 1,758,147.'
>
> "This will be notice to the purchaser that, through the inclusion of one of these units, the entire stoker installation is licensed under one of the above named patents. We will be glad to give you any further information in regard hereto which you may wish" (R. 649).

and thereafter advertised the sale of the combustion stoker switch in its Catalog of 1933:

> **"The right to use the Systems protected by the following patents is only granted to the user by Minneapolis-Honeywell Regulator Company when the particular controls as shown below are purchased from Minneapolis-Honeywell Regulator Company and used in the Systems:**

Patent No.	System	Controls
1,758,146	System of Maintaining Stoker Fire	Stokerswitches." (R. 595).

and repeated the same notice and patent in its Catalog of 1940 (R. 598).

Petitioner neither makes, sells nor installs heating systems but does make numerous types of thermostatic controls or switches for use in heating systems and has marketed a thermostatic control adapted to be used as a combustion stoker switch prior to 1925 (R. 737).

After respondent Minneapolis-Honeywell Regulator Company sent its notice to the manufacturers of coal stokers during February, 1932, respondent Mid-Continent Investment Company wrote the manufacturers who had been purchasing from the petitioner various types of controls for use in heating systems stating that Mid-Continent Investment Company was the owner of the Cross patent in suit and:

> "*Any method of using automatic control instruments* for preventing extinguishment of fire, if such control is 'actuated by a pre-determined minimum temperature for said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions,' *would come within the scope of this patent.*
>
> "The sale of a stoker together with such an instrument or *the sale of the instrument alone for use in the dual control of the stoker operation constitutes infringement of these patents.* We therefore suggest that in the purchase of your control instruments you ascertain if you are also purchasing rights under the above named patents, so that you will be fully protected in this matter" (R. 647).

and did write a customer of Mercoid in 1934, stating:

> "It has recently been called to our attention that you are purchasing controls for the purpose of maintaining pre-determined minimum fire-box temperature in connection with stoker fired furnaces from a Company not licensed by us to sell controls for this purpose.
>
> "*We wish to make this a formal notification to you that we consider the sale and use of controls for this purpose an infringement of Cross Patent, number 1758146*" (R. 659).

The District Court found:

> "15. * * * The parties plaintiff herein, as shown in the record of this case, through these letters to customers of defendant, have entered into unfair competition with defendant in an attempt to establish a monopoly in the sale of unpatented combustion stoker switches or low limit controls" (R. 740).

and

> "19. The parties plaintiff have conspired with each other and with the sub-licensee Detroit Lubricator Company to establish a monopoly in the sale in interstate commerce of combustion stoker switches, or low limit controls, in violation of the Anti-Trust Laws of the United States" (R. 741).

and in its Conclusions of Law stated:

> "9. Plaintiffs' combination constitutes a restraint of trade, an attempt to monopolize, and monopolization under Title 15, Sections 1 and 2, U. S. C. A., and the defendant is entitled to injunctive relief under Title 15, Section 4, U. S. C. A." (R. 743).

As to these findings and conclusions of the District Court, the Circuit Court of Appeals in its opinion stated:

"We think the District Court's holdings in this respect are erroneous. Congress, by authority of our Constitution, has pledged the public faith to each patent owner to exclude others from practicing his invention for a limited time, and the anti-trust laws do not forbid contracts between the owners of patents and their licensees which are legitimate and within the scope of the patent. *Bement* v. *National Harrow Co.*, 186 U. S. 70." (R. 920.)

While this Court has repeatedly held that the attempt to use a patent unreasonably to restrain commerce is condemned under the Anti-Trust laws or to use a patent as a means of obtaining a limited monopoly of unpatented material is prohibited, yet it has never passed upon the question that such use of a patent is a violation of the Anti-Trust laws, so far as petitioner has been able to discover.

This Court in the *Morton Salt* case stated:

"The Clayton Act authorizes those injured by violations tending to monopoly to maintain suit for treble damages and for an injunction in appropriate cases. 15 U. S. C. A. §§ 1, 2, 14, 15, 26." (314 U. S. 490.)

and then found:

"It thus appears that respondent is making use of its patent monopoly to restraint competition in the marketing of unpatented articles, salt tablets, for use with the patented machines, and is aiding in the creation of a limited monopoly in the tablets not within that granted by the patent. A patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent. But a patent affords no immunity for a monopoly not within the grant. *Interstate Circuit* v. *United States*, 306 U. S. 208, 228, 230; *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 456." (314 U. S. 491.)

and then held:

> "It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to public policy and that the district court rightly dismissed the complaint for want of equity." (314 U. S. 494.)

The holding of the Circuit Court of Appeals in the case at bar is in direct conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Radio Corporation of America* v. *Lord et al.*, 28 F. (2d) 257, certiorari denied 278 U. S. 648, in which Lord *et al.* alleged RCA violated U. S. C. Title 15, §§ 1, 2 and 14, by licensing purchasers of its vacuum tubes to make and use its patented radio receiving sets only when using vacuum tubes purchased from RCA. The Circuit Court of Appeals affirmed the findings of the District Court that the effect of this licensing arrangement was to substantially lessen competition and tended to create a monopoly in violation of the Anti-Trust laws. RCA's motion to dismiss the complaint was denied and *Lord et al.'s motion for an injunction was granted.*

This holding of the Circuit Court of Appeals in the case at bar is also in direct conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Barber Asphalt Corporation et al.* v. *La Fera Grecco Contracting Co. et al.*, 116 F. (2d) 211, 216, wherein the patentee's method of doing business by its licenses was held an improper use of the patent and wherein the Court stated:

> "We have gone into the nature of the licensing agreements because they are put squarely in issue by the counterclaim and because they are sought to be maintained upon a decision of this court holding the

Hayden patent valid and infringed. * * * *the subject matter of the counterclaim is one with which the Anti-Trust Laws of the United States are concerned.* Jurisdiction of that subject matter is vested in courts of the United States and the court below had jurisdiction of all the parties. *The counterclaim sets up a cause of action independent of the validity or invalidity of the Hayden patent.*

"Accordingly, the judgment of the court below is reversed and the cause is remanded with directions to dismiss the complaint for want of equity, to reinstate the counterclaim and to enter judgment granting relief thereunder."

The petitioner's counterclaim is for a declaratory decree that the respondents have violated the Anti-Trust Laws and petitioner is entitled to damages and injunctive relief.

This Court has never passed upon this question under the circumstances set forth in the record, so far as the petitioner has been able to discover.

This Court stated in *United States* v. *The Masonite Corp. et al.*, 316 U. S. 265, 277:

> "A patent affords no immunity for a monopoly not fairly or plainly within the grant. We have recently stated in *Morton Salt Co.* v. *G. S. Suppiger Co.*, No. 49, decided January 5, 1942 (314 U. S. 488), that 'the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention. It equally forbids the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant.' Beyond the limited monopoly which is granted, the arrangements by which the patent is utilized are subject to the general law."

It is submitted that the Circuit Court of Appeals erred in overruling the District Court's holding that the respond-

ents were guilty of violation of the Anti-Trust Laws and granting petitioner injunctive relief, as this Court has repeatedly held that such acts as practiced by the respondents were prohibited by the Anti-Trust Laws, although it never has applied the penalties for violating the Anti-Trust Laws under such conditions. Furthermore, it is obvious that the Circuit Court of Appeals in its opinion erred in affirming the District Court in disallowing damages after the petitioner established a *prima facie* case of damages (R. 369, 663).

Fourth Question

(Public Interest)

The petitioner was estopped to deny the validity of the patent in suit because it conducted the defense of Smith in *Smith* v. *Mid-Continent*, 106 F. 2d 622, for infringing the patent here in suit. Yet, the Court of Appeals in the case at bar in its opinion states:

> "Of course, McCabe's disclosures and the prior uses might be suggestive of the Cross disclosure to such an extent that one might consider the Cross disclosure as nothing more than mechanical skill, but, again, that would involve validity with which we are not here concerned, unless the protection of public interest demands it. We are convinced that such protection is not warranted here." (R. 918, 919.)

While petitioner is bound by the judgment in *Smith* v. *Mid-Continent*, in which it defended Smith, this Court, as the protector of the interests of the public, is not precluded from holding the patent in suit invalid as involving nothing more than is available to the public through the exercise of mechanical skill.

Judge Woodrough in a vigorous dissent in *Smith* v. *Mid-Continent*, convincingly stated that the Cross patent was

clearly invalid as involving mere mechanical skill. From Judge Woodrough's dissenting opinion the following quotation is made:

> "I have been unable to find any invention in the patent sued on in this case. * * * there is no contention under the patent sued on that the patentee invented any of the mechanisms, devices or appliances that make up the defendant's accused heating plant. * * *
>
> "The most the patentee in this case can say is that he first conceived and applied the idea of using the thermostat to turn the stoker on just before the fire in the furnace gets too low. * * *
>
> "The vendors of the thermostat have long advertised to the public that their thermostats may be placed practically anywhere to perform their well known function at any pre-determined temperature. Certainly it is common knowledge that when a mass of live coals ceases to throw out heat the fire is going out. It seems equally obvious that a thermometer placed near it will approximately reflect the condition of the fire. *The patentee's suggestion to get a thermostat at the handiest store and place it in relation to the fire so as to activate the stoker at some proper low state of the fire seems to me to have no semblance of invention.* It simply repeats the teachings of the thermostat advertisements which fully explain that the devices can be used wherever electric current is to be turned on or off at pre-determined changing temperatures." (106 F. 2d 631, 632)

As far back as the October Term of 1880, this Court in *Densmore* v. *Scofield*, 102 U. S. 375, 378, recognized the thought expressed by Judge Woodrough when it stated:

> "But, irrespective of this testimony, and of any testimony, upon looking this reissue in the face, and examining its several claims by their own light, we find nothing that brings any of them within the sphere of what is properly patentable. * * * It does not appear (to use the language of appellants' brief) that there

was 'a flash of thought' by which such a result as to either was reached, or that there was any exercise of the inventive faculty, more or less thoughtful, whereby anything entitled to the protection of a patent was produced. * * *

"Patentees as a class are public benefactors, and their rights should be protected. ***But the public has rights also. The rights of both should be upheld and enforced by an equally firm hand, whenever they come under judicial consideration.***"

This Court in its decision in *Muncie Gear Works, Inc. v. Outboard, Marine & Manufacturing Company, et al.*, 315 U. S. 759, 768, in holding the patent there invalid and reversing the judgment of the Circuit Court of Appeals for the Seventh Circuit, stated:

"*To sustain the claims* in question upon the established and admitted facts *would require a plain disregard of the public interest sought to be safeguarded by the patent statutes*, and so frequently present but so seldom adequately represented in patent litigation."

If the opinion of the Circuit Court of Appeals is correct law, then the manufacturer of room thermostats, the manufacturer of coal stokers, as well as the coal merchant who furnished the coal and the manufacturer who furnished the thermostatic metal for the room thermostats and combustion stoker switches, all could be held as contributory infringers.

Furthermore, if this patent is held valid, hundreds of thousands of people who have installed in their homes an aufomatic heating system employing thermostatic controls and an electrically operated fuel feeding means including thermostatic means for preventing the fire from going out would all be subject to a suit for direct infringement.

It is well known that threats of such suits because of the expense often induce alleged infringers to accept licenses on onerous terms rather than engage in litigation and the public should not have the added burden of paying tribute to a patent which covers nothing more than what is available to the public by the mere exercise of mechanical skill. As the exercise of a patent monopoly is publicly injurious when an invalid patent remains at large, the public interest is, therefore, deeply involved.

It is submitted the protection of public interests demands that the patent in suit be declared invalid as covering nothing more than mechanical skill applied to prior art available to the public. As stated by this Court in the *Carbice* case, 283 U. S. 32:

> "If a monopoly could be so extended, the owner of a patent for a product might conceivably monopolize the commerce in a large part of unpatented materials used in its manufacture. The owner of a patent for a process might secure a partial monopoly on the unpatented material employed in it. The owner of the patent in suit might conceivably secure a limited monopoly for the supply not of solid carbon dioxide but also of the ice cream and other foods, as well as of the cartons in which they are shipped."

As, under the existing patent statutes and decisions, no one, on behalf of the public, can institute a suit to have a patent declared invalid, it is submitted that in interest of the public this Court should pass on this question.

It is obvious from the above quoted statement of this Court in the *Muncie Gear Works* case that the Circuit Court of Appeals in the case at bar was in error when it stated in its opinion that the protection of public interest does not warrant that the patent in suit be declared invalid.

CONCLUSION.

For the reasons above stated, it is urged that this petition for writ of certiorari be granted, in view of the conflicting interpretations of this Court's decisions by the Circuit Court of Appeals for the Seventh Circuit in the case at bar and the Circuit Courts of Appeal for the First, Second, Third, Fourth and Seventh Circuits; in view of the question undecided by this Court as to applying penalties for violation of the Anti-Trust laws, and in view of the duty of this Court to protect the public interest sought to be safeguarded by the patent statutes.

Respectfully,

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Chicago, Illinois
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